

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1987 - HB 2107

February 21, 2022

SUMMARY OF BILL: Entitles police officers, firefighters, and individuals in a position covered by the definition of emergency medical services personnel who retire on or after January 1, 2020 and before January 1, 2023 to the actuarial equivalent of the benefit provided under a service retirement allowance. Entitles police officers, firefighters, and individuals in a position covered by the definition of emergency medical services personnel who are eligible for early service retirement to receive 100 percent of the retirement benefit, currently only payable to qualifying individuals under an unreduced service retirement, and insurance coverage, currently only available to qualifying individuals who are 100 percent vested in the service retirement benefit. Entitles a police officer, firefighter, or individual in a position covered by the definition of emergency medical services personnel who retires after January 1, 2020 to receive a supplemental bridge benefit on the latter of the member's retirement date or when the member reaches 55 years of age. Effective January 1, 2023.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$12,737,900/FY22-23

Increase Federal Expenditures – \$4,246,000/FY22-23

Increase Local Expenditures – \$266,747,800/FY22-23/Permissive

Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$285,493,700.

Assumptions:

- For the purposes of this analysis, it is assumed that all active Tennessee Consolidated Retirement System (TCRS) members employed as a police officer, firefighter, or emergency medical services personnel are eligible for an unreduced service retirement once a member attains 25 years of creditable service.
- Retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds.
- Based on information from the Tennessee Consolidated Retirement System (TCRS), the total increase in liability including additional administrative expenditures is estimated to be \$16,983,927 to the pension system relative to eligible state employees.
- Such additional liability will be funded in FY22-23.

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- The one-time increase in state expenditures in FY22-23 for state employees is estimated to be \$12,737,945 (\$16,983,927 x 75%).
- The total one-time increase in federal expenditures in FY22-23 for state employees is estimated to be \$4,245,982 (\$16,983,927 x 25%).
- Based on information from TCRS, the total increase in liability to the pension system relative to eligible local government employees is estimated to be \$268,747,766.
- Local governments may choose to adopt a resolution authorizing such additional benefits for local government employees.
- Any permissive increase in local government expenditures for the additional liability is dependent on the number of local governments adopting such resolution and the number of applicable employees within those local governments.
- The permissive increase in local government expenditures would be funded 100 percent by local government in FY22-23.
- The permissive increase in local government expenditures is estimated to be \$268,747,766.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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